

The entrepreneur and practice of innovation

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**THE ENTREPRENEUR
AND
PRACTICE OF INNOVATION**

Working Paper Series - 05

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According to Dictionary (webster)

" On who organizes, manages and assumes the risks of a business or enterprise. "

According to the Dictionary of Economics

The life and soul of the capitalist party. Somebody who has the idea and ENTERPRISE to mix together the other FACTORS OF PRODUCTION to produce something valuables. An entrepreneur must be willing to take a RISK in pursuit of a PROFIT.

"Entrepreneur is an person who have initiative in investment and decision to the enterprise. "

..... **Arif**

That means a person who have ability to the investment of the capital, utilize all resources of the factor of production, taking decision, and have assumption of risk against the profit.

Entrepreneur a person, who seeking all resource of factor of production, resource management, behavior, cultural, financial, economical and political for establishing, invention and founded enterprise, have assumption of risk against profit and future growth.

There all resource are applies to the economic developments and growth of small scale industry as well as large scale industry.

Short History of word of 'ENTREPRENEUR'

The word 'ENTREPRENEUR' is derived from the French word 'ENTERENDRE' that means 'to undertake'.

In the early 16th century, the Frenchmen who organized and led military expedition were referred to as 'entrepreneur' . Around 1700 A.D., the term used for contractor of public works.

The term Entrepreneur was firstly applied to the business by the French Economist CANTILLON in the 18th century. Cantillon developed one of the early theories of the Entrepreneur and is regarded by some as the founder of the term. He have viewed the entrepreneur as a risk taker, observing that merchant, farmer, craftsman and other sole proprietor.

"Buy at a certain price and sell at an uncertain price, therefore operating at the risk."

The word 'Entrepreneur' is a loanword from French. In French the verb " Entreprendre" means 'to undertake', with 'Intre' coming from the Latin word meaning 'Between' and 'Prendre' meaning 'to take'. In French a person who performs a verb, has the ending of the verb changed to "eur", comparable to the "er" ending in English.

Enterprise is similar to and has roots in the French word "Enterprise ", which is the past participle of "Entreprendre". Entrepreneur is similarly the French feminine counterpart of the " Entrepreneur".

Definition of Entrepreneur :-

Definitions :-

Different scholars given the definition of Entrepreneur.

Adam Smith :-

Entrepreneur as a person who only provides capital without taking active part in the leading role in Enterprise.

Joseph A. Schumpeter :-

Recognized person who introduce innovation, changes and entrepreneur the treated entrepreneur as an integral part of Economic growth. The fundamental source of equilibrium was the entrepreneur.

Peter F. Drucker :-

An entrepreneur as one who always searches for changes, respond to it and exploits it as an opportunity. Innovation in the pacific tools of entrepreneur, the means by which they exploit change as an opportunity for a different business or service.

Mohd. Arif :-

Entrepreneur a person, who has initiative in investment and decision, seeking all resource of factor of production, resources of Management, Behavior, Cultural, Economical and Political factor for establishing, innovation and founded enterprise, having assumption of risk, profit and future growth.

Entrepreneur Function

- 1- Innovation.
- 2- Risk taking.
- 3- Organisation & Management.
- 4- Business Decision.

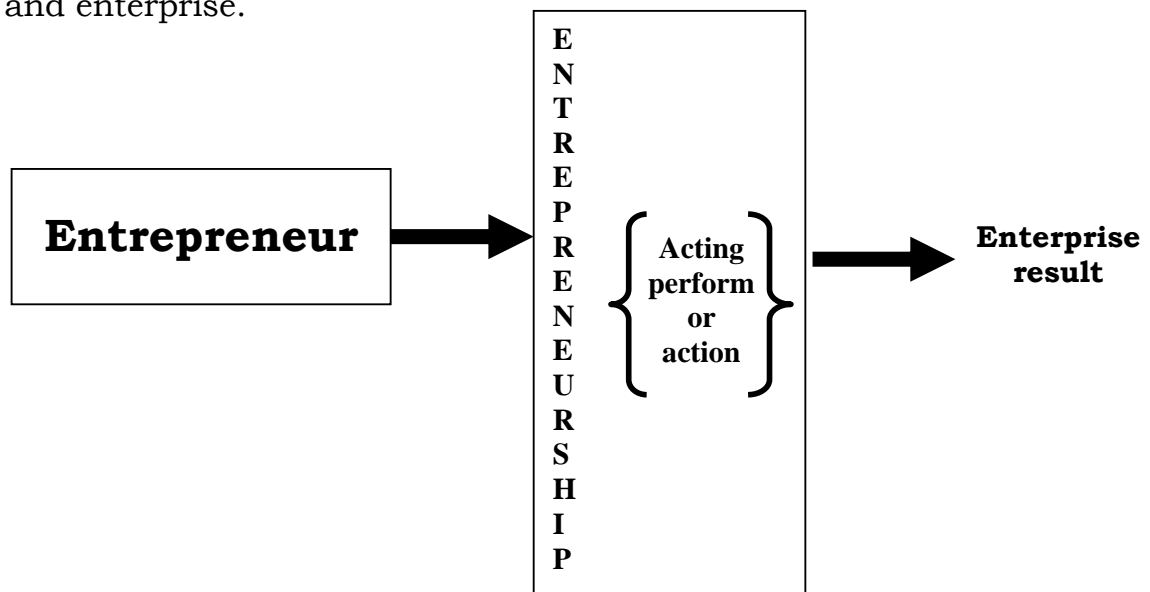
- 5- Project Planning.
- 6- Product Analysis.
- 7- Raising Fund.
- 8- Recruitment.
- 9- Feasibility Analysis.
- 10- Developed Entrepreneurial development programme.
- 11- Analysis of assessment of risk.

These are organizational functional activity. When there perform in organization that is called Entrepreneurship.

Entrepreneurship :-

Entrepreneurship is the function of Entrepreneur. All organizational and management activity which are performs by entrepreneurs that is called entrepreneurship.

That is the entrepreneurial action, which act by the entrepreneurs, these action or activity proceed to the process of achievement of end result. In other words we can say that Entrepreneurship is the middlemen clause between entrepreneur and enterprise.



which perform intermediatary action between two element entrepreneur and enterprise.

Definition of Entrepreneurship:-

Schumpeter J.A.

Entrepreneurship as defined essentially consists in doing things that are not generally done in the ordinary course of business routine.

Peter Ducker :-

"Entrepreneurship" occurs when resource are redirected to progressive opportunities not used to insure administrative efficiency. He further states that entrepreneurship is not creative. "It is work entrepreneurship" require entrepreneurial management.

Mohd. Arif :-

Action and operation of all organizational and management activity (factor of production, economic, political and behavioral activity), which perform by entrepreneur for an enterprise, for achievement of enterprise goal. That is called entrepreneurship.

INNOVATION

According to Webster :- "The introduction of something new."

Innovation an idea, creating and making with planning, no only technological. But also management, financial, behavioral, political, cultural and psychological in every field business or non profit organization.

In the innovation we making different stimuli from the external environment and apply to the internal form of the organization. Different types of innovation used in business.

- 1- Produce new goods.
- 2- Introduction of new method of the production system.
- 3- Making new market.
- 4- Create new demand and supply.
- 5- New human relation technique.
- 6- Using the new strategic management.
- 7- Using new technology.

Definition of Innovation :-

Innovation :-

A new idea applied to initiating or improving a product, process or services.

.....Stephen P. Robbins

"Innovation is generally understood as the successful introduction of a new thing or method innovation is the embodiment, combination or synthesis of knowledge in original, relevant valued new products, process or services."

..... **Luecke and Katz**

"Innovation like many business function, is a management process that requires specific tools rules, and discipline."

.....**Davila**

"All innovation begins with creative ideas we define innovation as the successful implementation of creative ideas within an organization. In this view, creativity by individuals as teams is a starting point for innovation, the first is necessary but not sufficient condition for the second."

..... **Amabile**

Economic conceptions of innovations :-

Joseph Schumpeter defined economic innovation in the theory of economic development, 1934, Harvard University.

The introduction of a new good- that is one with which consumers are not yet familiar - or of a new quality of a good.

The introduction of a new method of production, which need by no means be found upon a discovery scientifically new, and can also exist in a new way of handling a commodity commercially.

The opening of a new market, that is a market into which the particular branch of manufacture of the country in question has not previously entered, whether or not this market has existed before.

The conquest of a new source of supply of raw materials of half-manufactured goods, again irrespective of whether this source already exists or whether it has first to be created.

The carrying out of the new organization of any industry, like the creation of a monopoly position (for example through trustification) or the breaking up a monopoly position.

According to Peter F. Drucker :-

Innovations organization first know what "innovation" means. They know that innovation is not science or technology, but place inside on organization but is a change outside. The measure of innovations is impact on the environment. Innovation is a business enterprise must therefore always be market - focused. Innovation

that is product - focused instead is likely to produce "Miracles of technology" but disappointing reward.

"Only when a new product or a new business has been established in the market has there been an innovation."

..... **P.F. Drucker**

THE PRACTICE OF INNOVATION

According P.F. Drucker :-

"Innovation is the specific tool of entrepreneur, the means by which they exploit change as an opportunity for a different business or a different services. "

Innovation have importance in growth and development of business, and any change and complexities can not differ it's goal or objective.

Different Examples of Innovation:-

Marks & Spencer	-	British leading retail store.
Sony	-	Japan electronic company.
Microsoft	-	U.S. Software Company.
IBM	-	U.S. provide business solution.
Allied Capital	-	U.P. Financial services.

"Entrepreneurs innovate. Innovation is the specific instruments of entrepreneurship. It is the act that endows resources with a new capacity to create wealth. Innovation, indeed, creates a resource. There is no such thing as a "resource" until man find a use for something in nature and this endows it with economic value. "

The innovation practice formed by entrepreneur, as economic , business and government policy. But the major parts used in the economics. The goal of innovation is the positive change, to make

someone or something better, and make operation management in existing unit or business. Innovation leading to increased productivity, efficiency and effectiveness is the fundamental source of develop wealth in an economy.

In the organizational context, innovation may be linked to performances, growth and development through improvement in efficiency, productivity, quality, competitive position, market share, growth of market etc. All types of organizations can innovate including for examples hospitals, universities and local government.

Characteristics of Innovation :-

According to P.F. Drucker - have certain characteristics in common:-

- 1- Innovating organization know what 'innovation' means.
- 2- Innovative organization understand the dynamics of innovation.
- 3- They have an innovation strategy.
- 4- They know that innovation requires objective, goals and measurement of a managerial organization and appropriate to the dynamics of innovation.
- 5- Management, especially top management, plays a different role and has a different attitude in an innovative organization.
- 6- The innovative organization in structured differently and set up differently from managerial organization.

Innovative Opportunity :-

"Innovation, is change something new", and it is change that always provides the opportunity to the new and different.

"Systematic innovation therefore consist in the purposeful and organized search for changes, and in the systematic analysis of the

opportunities such changes might offer for economic or social innovation."

The systematically, formally and planned innovation given the meaningful result and the process of seeking for changes, and systematic analysis of the future growth, these change are innovation, specifically, systematic innovation means monitoring the seven sources for innovation opportunity.

The first four sources lie that within the enterprise, whether business or public services institutions, non profit organization, or within an industry or service sector. There are therefore visible to people within that industry. or service sector.

They are basically symbols. But they are highly reliable indicators of changes that already happened or can be made to happen with small effort.

These four source areas are :-

1- The unexpected :-

- The unexpected success.
- The unexpected failure.
- The unexpected outside event.

That is unseen opportunity, problem, success, failure and growth.

2- The incongruity :-

Between reality as it actually is and reality as it is supposed to be or as it "right to be".

That is difference between actual and standard.

3- **Innovation based on process needs :-**

Needs, wants, desire and expectation.

4- **Changes in industry structure or market structure :-**

- That Catch everyone unawareness.
- Identified the awareness.

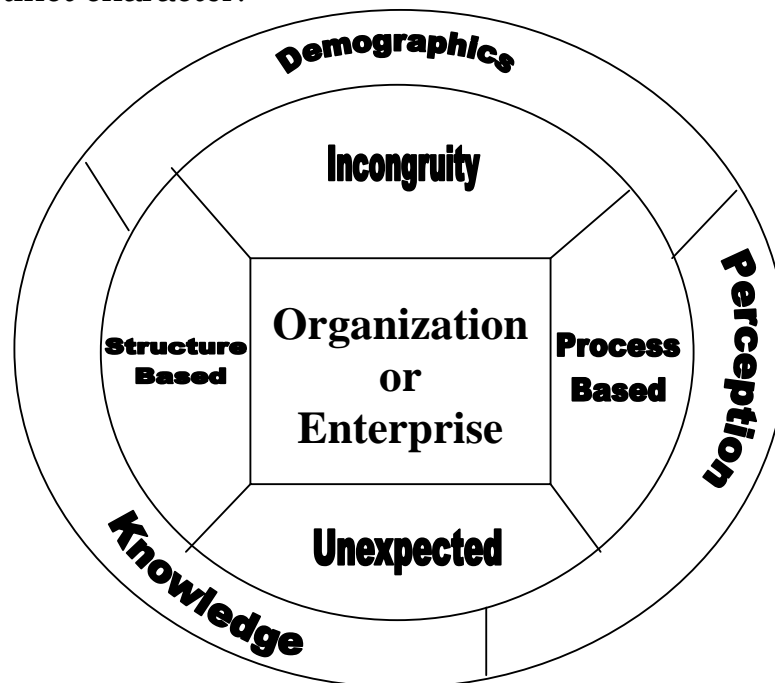
The second set of sources for innovation opportunities, a set of these, involves changes outside the enterprise or industry.

5- **Demographics :-** (Population changes, aged, income, religion & region)

6- **Change in perception :-** (mood and meaning, stimuli)

7- **New Knowledge:-** (both scientific and non scientific)

These seven source require separates analysis for each has its own distinct character.



Seven source of innovation opportunity

The Principles of Innovation :-

The principles of innovation is represented the hardcore of the disciplines there are a number of :

- The Do's - things have to be done.
- Don't's - things that had better not be done.
- Condition -

(1) The Do's :-

(A) The purposeful, systematic innovation begins with analysis of the opportunities. It begins with thinking through what I have called the source of innovation opportunities in different areas, different source, will have different importance at different times.

(B) Innovation is both conceptual and perceptual. The second imperative of innovation is therefore to go out to look, to ask, to listen. These can not be stressed too often.

Successful innovators use both the right side and left side of their brain.

(C) An innovation, to be effective, has to be simple and it has to be focused. It should do only one thing, otherwise, it confuses. If it is not simple, it won't work. Everything new runs into troubles, if complicated it can not be repaired or fixed.

(D) Innovation had better be capable of being started small, requiring at first little money, few people and only a small and limited market. Otherwise, there is not enough time to make the adjustment and changes that are almost always needed for an innovation to succeed.

(E) But and this is the final "do" a successful innovation aims leadership. It does not aim necessarily at becoming

eventually a "big business" in fact, no one can foretell whether a given innovation will end up as a big business or a modest achievement.

(2) The Don't's

- (A)** The first is simply not to try to be clever. Innovation has to be handled by ordinary human beings. And if they are to attain any size and importance at all, by morons or near morons.
- (B)** Don't's diversity, don't's splinterments. Don't's try to do too many things at once. This is of course, the corollary to the "do", the focused innovation that strays from a core are likely to become diffuse. They remain ideas and do not become innovation.
- (C)** Finally, don't try to innovate for the future innovate for the present. An innovation may have long range impact. It may not reach its full maturity until 20 years later.

(3) Three Conditions :-

(A) Innovation is work :-

It requires knowledge. It often requires great ingenuity. There are clearly people who are more talented in innovation than the rest of us. Also innovators rarely work in more than one area.

(B) To succeed, innovators must build on their strengths:-

Successful innovators look at opportunity over a wide range.

(C) An finally innovation is an effect in economy and society:-

A change in the behavior of customers, of teachers, of farmers, of eye surgeons - of people in general.

